



Making the Business Case: SEVEN ENERGY FACTS That All Business Leaders Should Know

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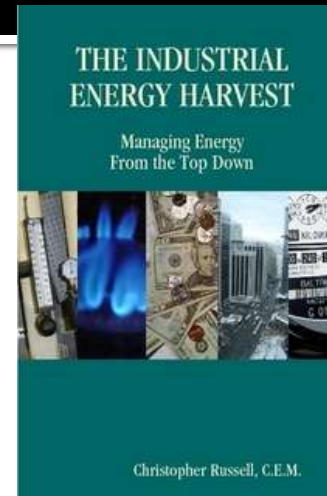
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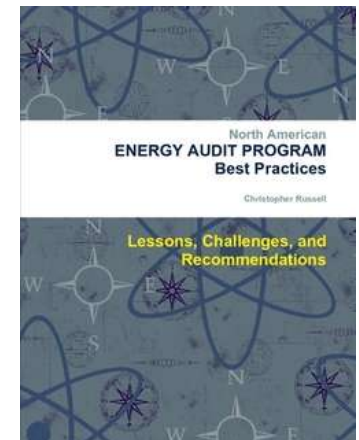
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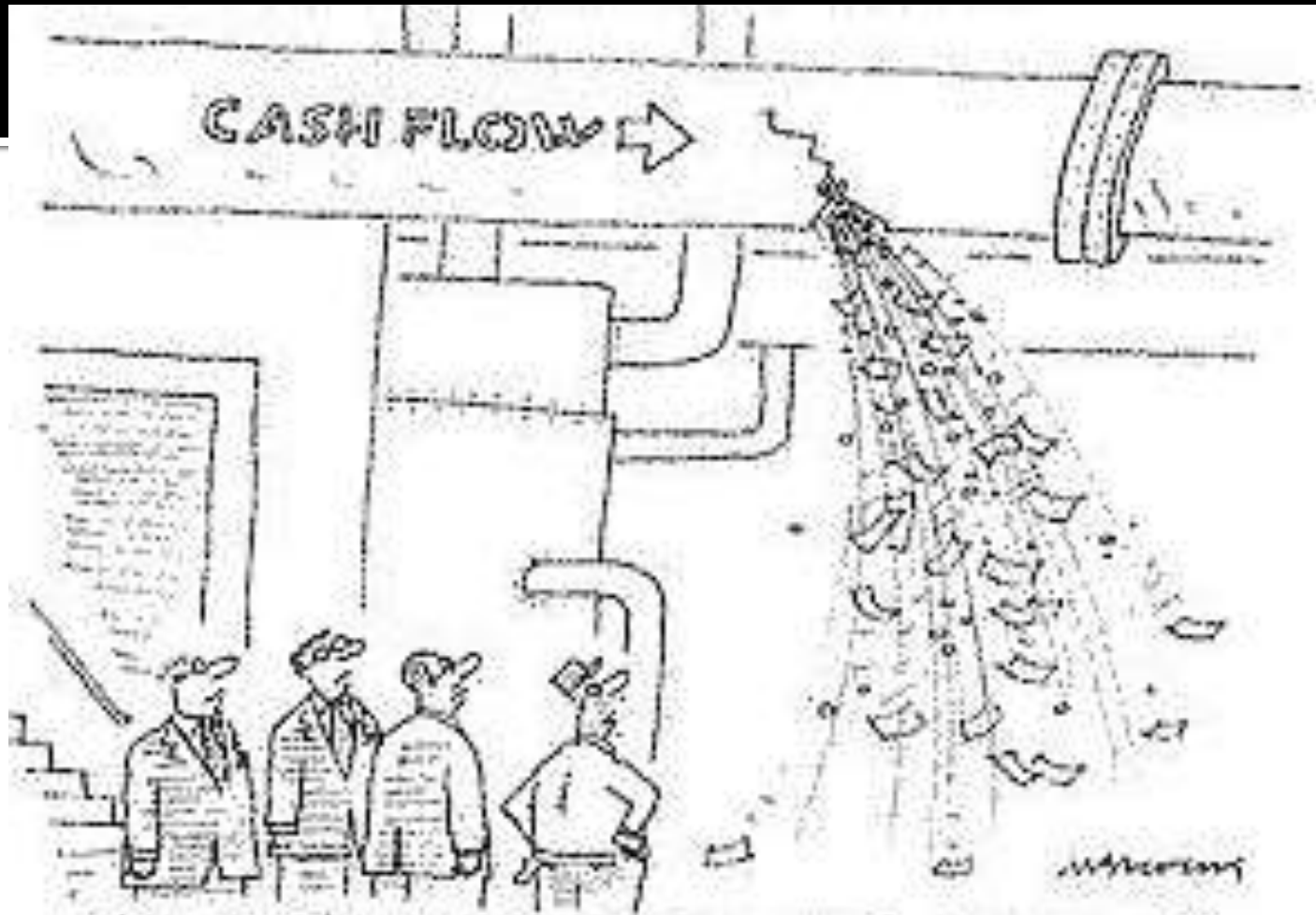
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Principal, Energy Pathfinder
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- Energy Manager, Howard County, MD,
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"Well, gentlemen, there's your problem."

1. No energy = no revenue.

No **ENERGY** means...

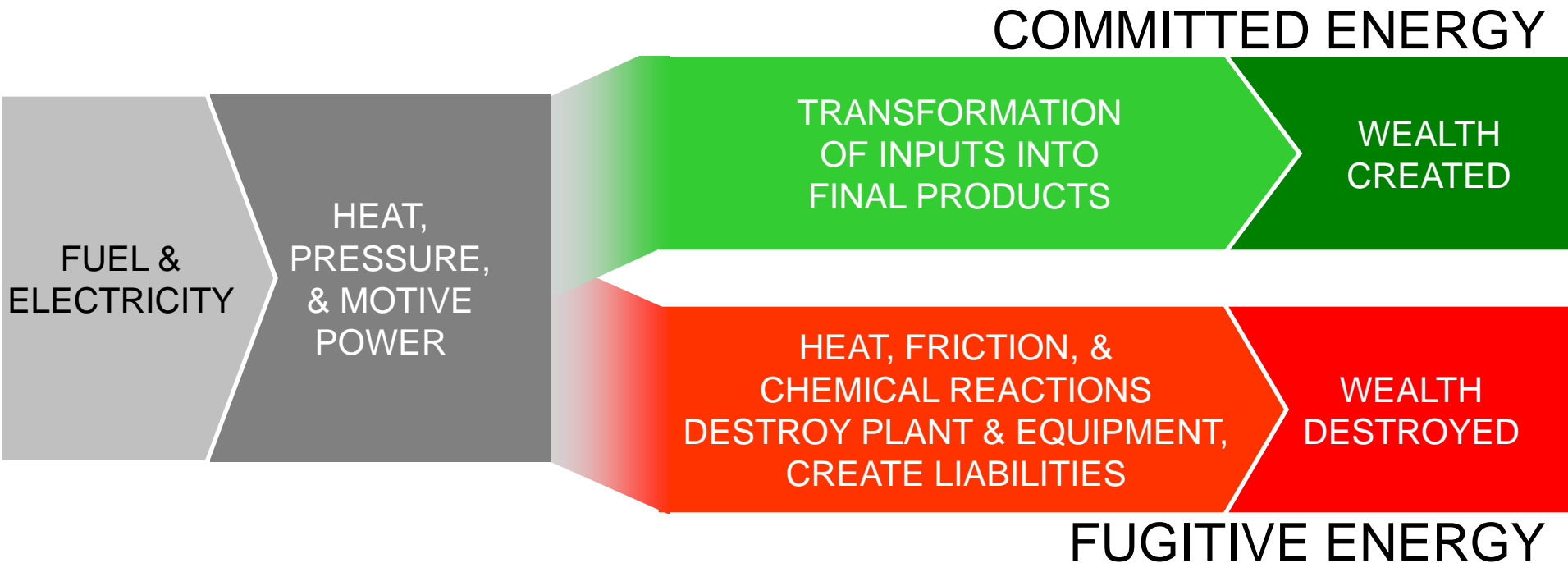
No **PRODUCTION**...

and no **REVENUE**.

End of story.

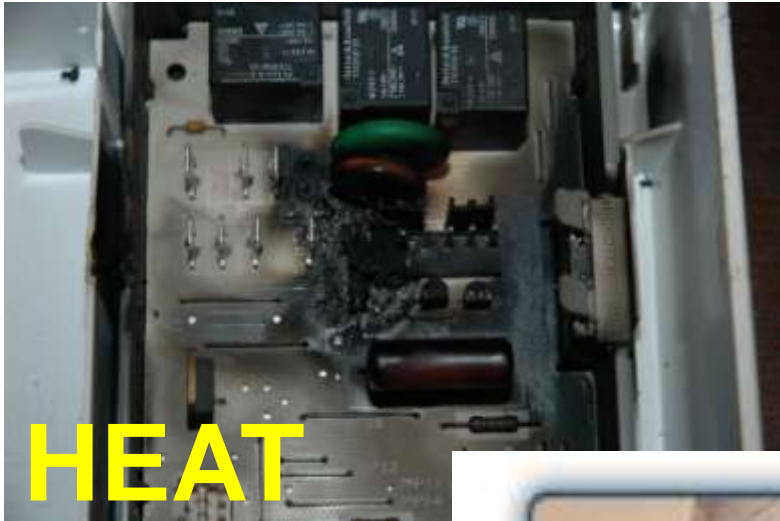


2. Energy is never in “neutral.”

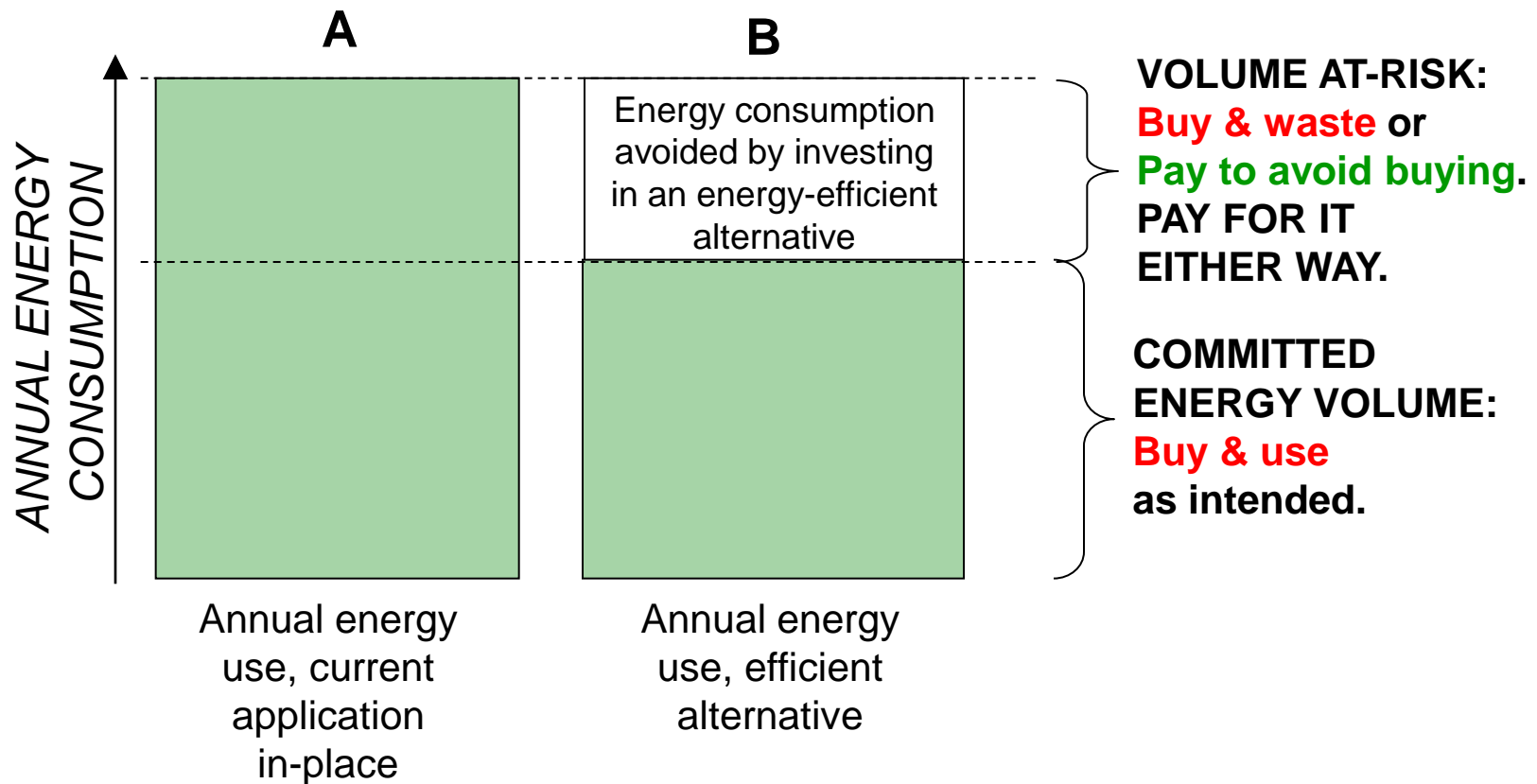


ENERGY IS ALWAYS WORKING.
Energy that doesn't create wealth destroys it.

3. Energy waste destroys capital.



4. You cannot “walk away” from an energy efficiency investment



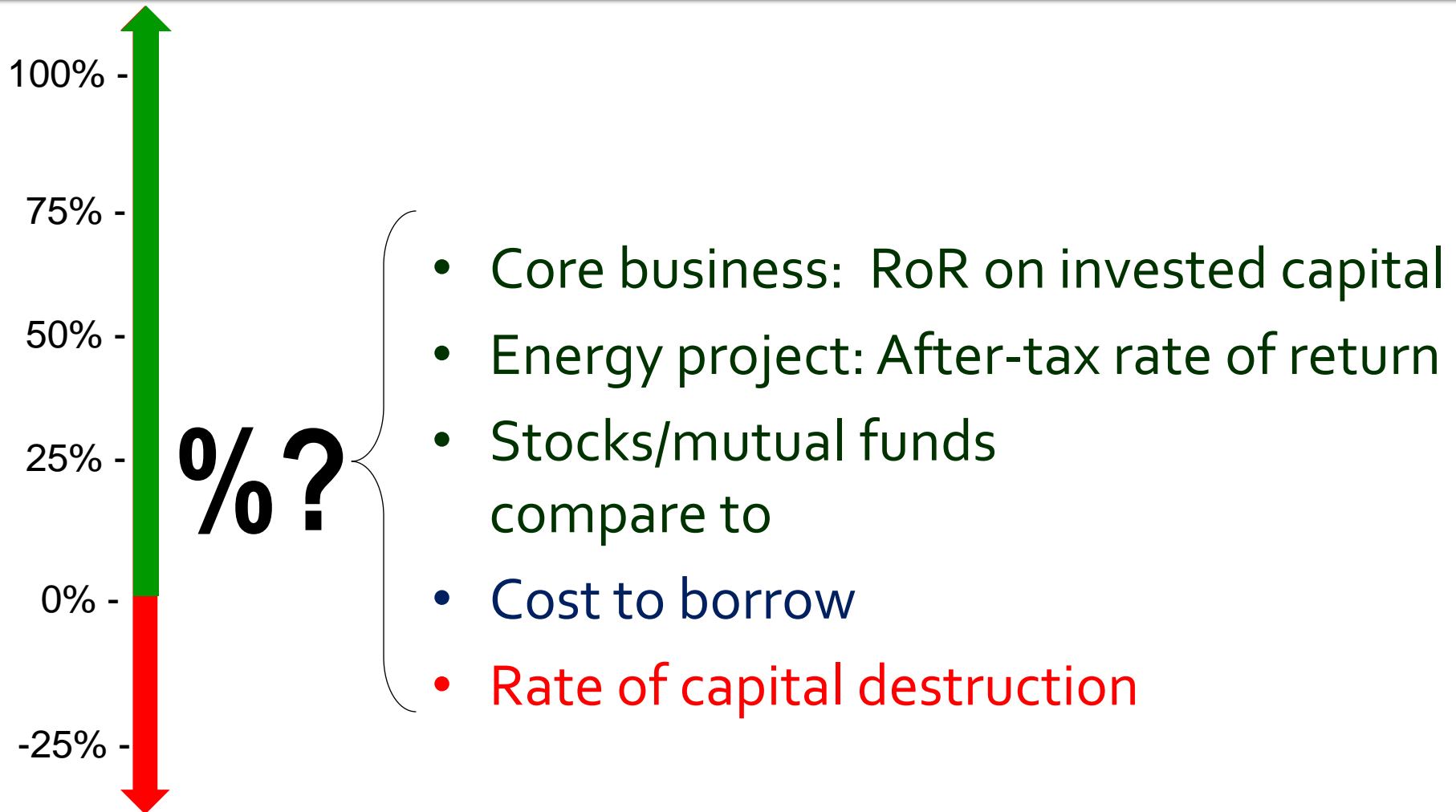
5. Energy choices can future-proof your cash flow for years to come.

RISK or OPPORTUNITY?

- Energy price volatility
- Smart grid technologies
- Evolving emissions & safety standards
- Green & sustainable market *bona fides*



6. Hard to find a better low-risk cash flow than energy improvements.



7. Your facility is like an ATM machine ready to dispense cash.

- Pay for waste?
- Finance working capital
- Subsidize CAPEX



How do you....



...measure
mutual fund
performance?

Simple payback?

Monetize Your Energy Position

The naïve measure:

PROJECT COST: \$1,000,000

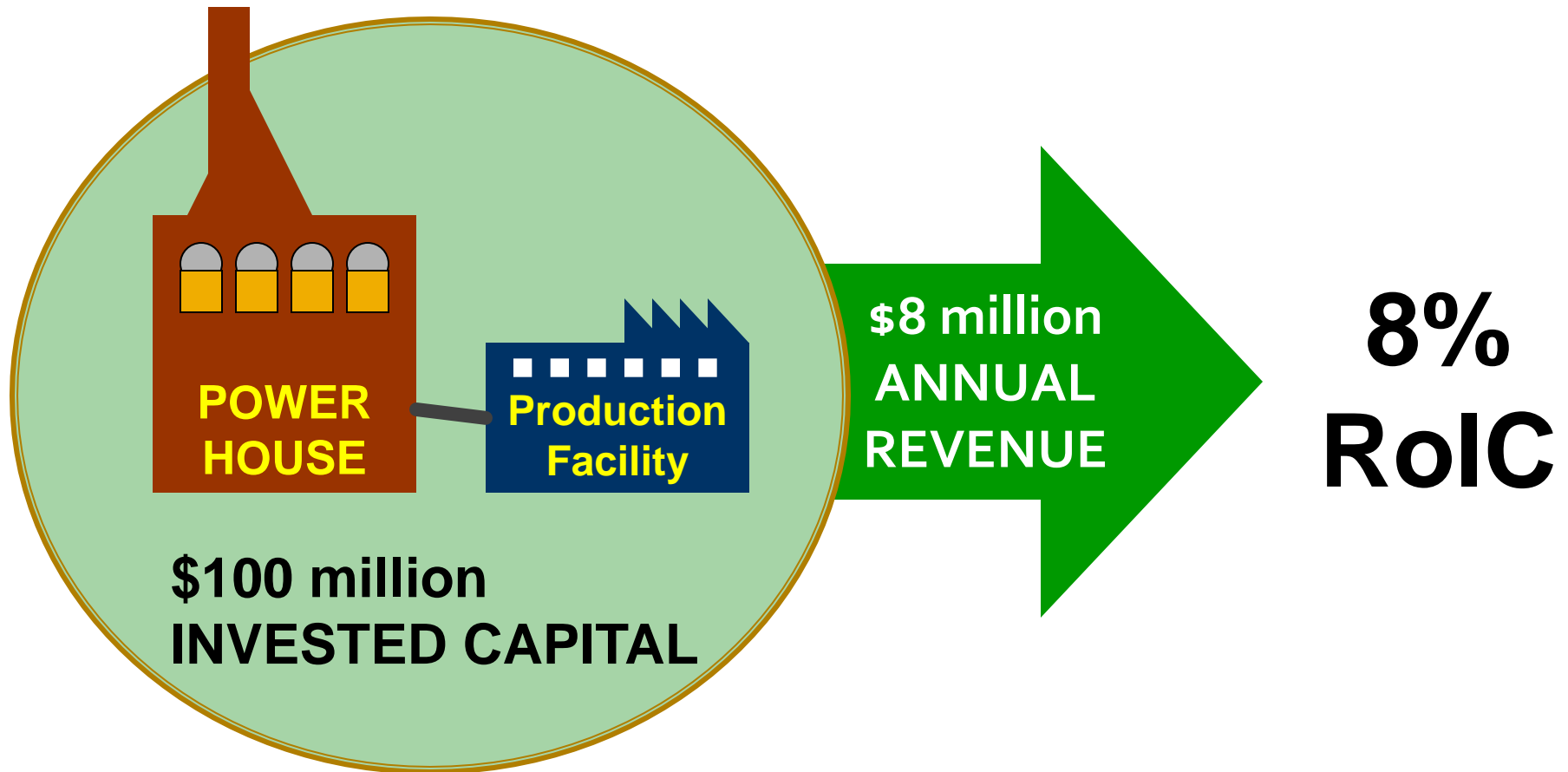
AMT FINANCED: \$500,000/8%/25YRS

MARGINAL INCOME TAX: 35%

ECONOMIC LIFE: 25 YRS

SIMPLE PAYBACK: 4 YRS pre tax
8 YRS post tax

EXAMPLE: Return on Invested Capital



Ex: 8-YR SPB AFTER TAXES

50% -

40% -

30% -

20% -

10% -

0% -

-10% -

TWO-YEAR PAYBACK = 50%

ENERGY PROPOSAL IRR = 25% BEFORE TAXES

ENERGY PROPOSAL IRR = 12% AFTER TAXES & FINANCE

CURRENT RATE OF RETURN ON INVESTED CAPITAL = 8%

COST TO BORROW = 4%

MUTUAL FUNDS = 3%

IRR = -12.6% REJECT PROJECT, NEGATIVE CASH FLOW

Coming Soon from the Maryland Energy Administration



MONETIZE Key Energy Assets

- Payback, ROI
 - Costs, Incentives
 - Savings
-
- Unit price to save vs. price to buy energy
 - Second price tag – capital equivalent of waste
 - Cost of doing nothing
 - Cash flow and rates of return

What's YOUR Vision?



YOUR VOICE, YOUR POLICY

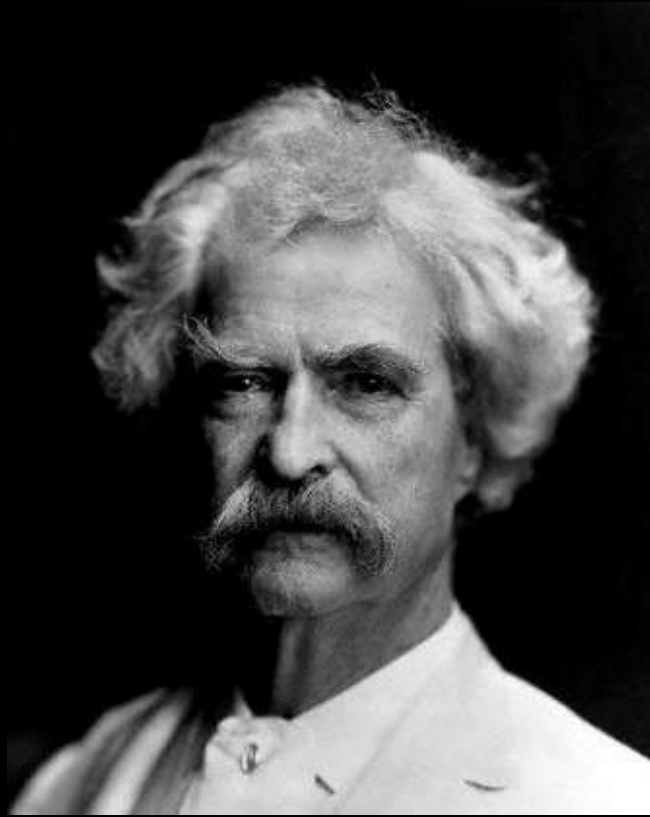
Study of Manufacturing Investment Decision-Making

Telephone survey of Stakeholders, ~ 30 minutes

Describe the corporate investment decision process
**SHAPE THE NEXT ROUND OF ENERGY OUTREACH &
ASSISTANCE PROGRAMS**

Report due Oct 2012

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**"I'm all for progress.
It's change I object to."**

--Mark Twain
1835-1910
American humorist



THANK YOU

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